

May 28, 2002

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

J. Tyler McCauley
Auditor-Controller

MAY REVISION PROPOSAL TO DEFER SB 90 REIMBURSEMENTS TO LOCAL GOVERNMENTS

As previously reported in our May 15, 2002 analysis of the Governor's May Revision, the Governor has proposed a \$246 million reduction in State mandate reimbursements, including \$168.3 million from suspending payment of local government claims in the budget year, as well as the elimination of \$60 million in deficiencies for the current and budget years and the reversion of \$17.8 million in existing balances for prior year claims.

According to the Legislative Analyst's Office, there are \$1.6 billion in mandate claims that have been filed by local agencies under the State Mandates Reimbursement (SB 90) Program. Some include costs incurred in prior years for mandates such as the Peace Officer's Bill of Rights. Others may be the result of a new law or regulation. Approximately \$565 million (or 35 %) have been filed by local governments and \$1.046 billion (65 %) by schools. The Governor's January budget contained funding of \$172 million for local governments and \$155 million for schools.

The Governor's May Revision proposes to temporarily suspend payment of local government claims (except for \$1,000 per program to indicate intent to eventually fund each claim). While the budget document shows a State budget year savings of \$168.3 million, the proposal would also defer payment on prior year and new claims, for a total potential impact on local governments of \$565 million. Claims for education mandates (other than school bus safety) and for the County Quarterly Investment Reporting Program would continue to be reimbursed.